MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BSB 3314 – SEMINAR IN BANKING

(All Sections / Groups)

21 October 2016
3.00 p.m. – 5.00 p.m.

(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 pages (including front page) with **FOUR (4)** Questions only.

2. Answer **ALL** questions.

3. Write your answers in the Answer Booklet provided.

Question 1

(a) What is mean by negative interest rate? (8 marks)

(b) According to New York Time dated 28 Jan 2016, Japan's new negative interest rate, minus 0.1 percent (-0.1%), will be imposed by Central Bank of Japan (BOJ) and take effect on February16. This move caused the shares in Tokyo; Nikkei 225 index ended the day with a gain of 2.8 percent.

Required

(i) Discuss the reasons behind the BOJ decision to introduce negative interest rate. (9 marks)

(ii) Evaluate the challenges and opportunities ahead of BOJ's negative interest rate. (8 marks)

(Total: 25 marks)

Question 2

(a) Suppose a lender estimates that the marginal cost of raising loanable funds to make a RM20 million loan to one of its corporate customers is 4 percent, its non-funds operating costs to evaluate and offer this loan are 0.5 percent, the default-risk premium on the loan is 0.375 percent, a term-risk premium of 0.625 percent is to be added, and the bank's desired profit margin is 0.25 percent. What loan rate should be quoted this borrower? How much interest will the borrower pay in a year? (13 marks)

(b) Discuss any FOUR (4) main objectives of Central Bank of Malaysia (8 marks)

(c) Explain the meaning of the following terms when borrowing:

(i) Capital (2 marks)

(ii) Collateral (2 marks)

(Total: 25 marks)

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Question 3

(a) The following is the summary of Income and Expense and summary of Financial Position for CIMB Bank Bhd.

Summary of Income and Expense

	RM
Interest and fees on loans	44
Interest and dividends on securities	6
Total interest income	50
Interest paid on deposits	32
Interest on non- deposit borrowings	6
Total interest expense	38
Net interest income	12
Provision for loan losses	1
Noninterest income and fees	16
Noninterest expenses:	
Salaries and employee benefits	10
Overhead expenses	5
Other noninterest expenses	2
Total noninterest expenses	17
Net noninterest income	-1

Pretax operating income	16
Securities gains (or losses)	2
Pretax net operating income	18
Taxes	-2
Net operating income	16
Net extraordinary income	-1
Net income	15

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Summary of Financial Position

Assets	RM	Liabilities	RM
Cash and deposits due from banks	100	Demand deposits	190
Investment securities	150	Savings deposits	180
Federal funds sold	10	Time deposits	470
Net loans	670	Federal funds purchased	60
(Allowance for loan losses = 25)		Total liabilities	900
(Unearned income on loans = 5)		Equity capital	
Plant and equipment	50	Common stock	20
		Surplus	25
Total assets	980	Retained earnings	35
		Total Capital	80
Total Earnings Assets	830	Interest-bearing deposits	650

Fill in the missing items on the income and expense statement. Using these statements, calculate the following performance measures:

i) Return on Equity
ii) Return on Assets
iii) Net interest margin
iv) Net noninterest margin
v) Net operating margin
vi) Earnings spread
vii) Net profit margin
viii) Asset utilization
ix) Equity multiplier
x) Tax management efficiency
xi) Expense control efficiency
xii) Asset management efficiency
xiii) Funds management efficiency
xiv) Operating efficiency ratio

(21 marks)

(b) What strengths are you able to detect in CIMB Bank Bhd.' performance? (4 marks)

(Total: 25 marks)

Question 4

(a) According to Bloomberg, the world stock market rout in 2015 was triggered by the collapse of China stock market dated 15 June 2015. Discuss the measurements taken by Central Bank especially from EU, Japan and US to encounter such volatility of the stock market. (13 marks)

(b) CAMELS are widely used by Bank Negara to analyze bank risk. Discuss CAMELS and what financial ratios might best capture each factor? (12 marks)

(Total: 25 marks)

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